

## Aban Offshore Limited

March 21, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	584.00	CARE D (Single D)	Reaffirmed
Long-term/Short-term Bank Facilities	125.00	CARE D/ CARE D (Single D)/(Single D)	Reaffirmed
<b>Total</b>	<b>709.00</b> <b>(Rupees Seven hundred and Nine crore only)</b>		
CRPS Issue Series I	105.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
CRPS Issue Series II	156.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
CRPS Issue Series III	20.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities and various preference share issues of Aban Offshore Ltd (AOL) factor in the instances of delays in debt servicing on account of significant delays in realisation of receivables and resultant tight liquidity position experienced by AOL.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### *Experience of Promoters*

AOL was promoted in 1986 by Aban Constructions Private Limited, in collaboration with Chiles Offshore Inc. (COI), USA, an offshore drilling company in the Gulf of Mexico. Late Mr M A Abraham, a first generation entrepreneur was the key promoter of AOL. The day-to-day affairs of the company are managed by Mr Reji Abraham, the MD, who is the son of late Mr M A Abraham. He is assisted by Mr C P Gopalakrishnan, (CFO & Deputy MD) and Mr P Venkateswaran Deputy MD (in charge of operations). Each rig is managed by a "Rig Manager", who in turn is assisted by an offshore and onshore staff. AOL is the largest private player in India in the offshore drilling industry and is among the top players in the world. The company and its wholly owned subsidiaries had a total of 18 assets by the end of March 2017 including 15 Jack up rigs, two drill ships and one off shore production unit. Out of these 18 assets, AOL directly holds only seven rigs and rest of the assets held by its step down subsidiaries. Out of 15 Jack up rigs, nine rigs are high specification rigs which are capable of operating in water depth of 350+ feet.

#### Key Rating Weaknesses

##### **Delays in debt servicing**

On account of delay in realisation of receivables and unfavourable industry scenario, AOL has been experiencing liquidity issues resulting in delays in debt servicing.

##### **Moderation in financial performance during FY17 and 9MFY18**

During FY17, income declined by 12% on account of fall in day rates and fleet utilization. However, PBILDT margin remained stable at 65.94% in FY17 as against 65.05% FY16. With reduction in debt level and improvement in networth, the overall gearing ratio improved and stood at 0.23x as on March 31, 2017 as against 0.28x as on March 31, 2016. During

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

9MFY18, the company generated PAT of Rs.35 crore (PY: Rs.216 crore) on a total income of Rs.490 crore (PY: Rs.719 crore).

#### **Deterioration in the performance of subsidiaries**

At the consolidated level, the company posted before tax loss of Rs.870 crore (PY: Rs.27 crore loss). The total income on the consolidated level has declined by around 50% to Rs.1,763 crore in FY17 due to declining demand for offshore drilling services on account of depressed oil prices globally.

During 9MFY18 at consolidated level, the company registered before tax loss of Rs.785 crore on total operating income of Rs.1,144 crore as against after before tax loss of Rs.573 crore on total operating income of Rs.1,375 crore during 9mFY17.

#### **Analytical approach:**

*Standalone*

#### **Applicable Criteria**

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

#### **About the Company**

Aban Offshore Limited (AOL), the flagship company of Aban group, provides offshore drilling services to companies engaged in exploration and production of oil and gas. AOL is the largest private player in India in the offshore drilling industry and is one of the largest in the world. The company and its wholly owned subsidiaries had a total of 18 assets by the end of March 2017 including 15 Jack up rigs, two drill ships and one off shore production unit. Out of these 18 assets, AOL directly holds only seven rigs and rest of the assets held by its step down subsidiaries.

<b>Brief Financials (Rs. crore)</b>	<b>FY16 (A)</b>	<b>FY17 (A)</b>
Total operating income	1,063	937
PBILDT	691	618
PAT	290	211
Overall gearing (times)	0.28	0.23
Interest coverage (times)	5.70	5.17

*A: Audited*

#### **Status of non-cooperation with previous CRA:**

Not Applicable

#### **Any other information:**

Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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#### **About CARE Ratings:**

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#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	August 2021	422.00	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	125.00	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	162.00	CARE D
Preference Shares-Redeemable	August 2008	10%	August 2016	20.00	CARE D (RPS)
Preference Shares-Redeemable	June 2005	10%	June 2016	105.00	CARE D (RPS)
Preference Shares-Redeemable	March 2007	10%	March 2015	156.00	CARE D (RPS)

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Preference Shares-Redeemable	LT	105.00	CARE D (RPS)	1)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)	-	1)CARE C (RPS) (26-Dec-14)
2.	Preference Shares-Redeemable	LT	156.00	CARE D (RPS)	1)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)	-	1)CARE C (RPS) (26-Dec-14)
3.	Fund-based - LT-Term Loan	LT	422.00	CARE D	1)CARE D (20-Apr-17)	1)CARE D (13-Apr-16)	-	1)CARE BB- (26-Dec-14)
4.	Preference Shares-Redeemable	LT	20.00	CARE D (RPS)	1)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)	-	1)CARE C (RPS) (26-Dec-14)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	125.00	CARE D / CARE D	1)CARE D / CARE D (20-Apr-17)	1)CARE D / CARE D (13-Apr-16)	-	1)CARE BB- / CARE A4 (26-Dec-14)
6.	Fund-based - LT-Cash Credit	LT	162.00	CARE D	1)CARE D (20-Apr-17)	1)CARE D (13-Apr-16)	-	1)CARE BB- (26-Dec-14)

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